



County of Los Angeles

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Second District

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Third District

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Fifth District

July 1, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

State Budget Report

Budget Actions

With the July 1 start of the new fiscal year fast approaching, there was a flurry of activity in both the Assembly and the Senate that, had it been successful, would have produced a State budget. Unfortunately, though three different budget bills were considered and voted on, the State has begun the fiscal year without a budget. While this has been the rule rather the exception over the last 25 years, the adverse consequences this year are more serious than in the past and could create enough pressure to resolve the deadlock sooner rather than later.

On two different days last week, the Senate sought unsuccessfully to pass a "compromise" budget bill, AB 1769, which was described in our June 24, 2003 Update. Not to be outdone, the Assembly on Friday took up two different budget bills: the first reflecting the consensus of Democrats, and the second, after the first had failed, a bill drafted by the Democrats that they claimed reflected the budget proposals that had been suggested by Assembly Republicans. Republicans declined to vote for either, insisting that the so-called Republican bill did not accurately reflect their position. Clearly frustrated, the Speaker challenged the Republicans to come up with amendments to either bill to accurately reflect their position so that the Assembly could debate it next week.

Yesterday, the last day before the beginning of the fiscal year, signs of civility and bipartisan cooperation appeared in the Senate, which took up and quickly passed three budget-related urgency measures that it was said needed to pass before the end of the fiscal year. The first would defer \$80 million in “excess” Proposition 98 spending until the budget year. The second would result in an additional \$58 million in savings from using pension obligation bonds to make the current year contribution to the State Teachers’ Retirement System. And the last contained approximately \$1 billion to cover deficiencies, primarily in Medi-Cal. These measures passed quickly with overwhelming bipartisan support. In addition to these bills, the Senate was supposed to take up a series of Republican amendments to AB 1769 which it was widely assumed reflected the Republican response to the Democratic “offer” from the previous week. After a number of recesses, Senator Burton finally announced that it was taking longer than anticipated for Legislative Counsel to complete the amendments and additional time would be needed to review them so that unfortunately the Senate would have to adjourn without acting on the budget. While he did not announce when the Republican amendments would be taken up, a floor session is scheduled for Thursday, July 3, 2003.

In the meantime, Assembly Republicans yesterday released what they call a “compromise budget proposal” that they claim maintains the Proposition 98 guarantee to schools, does not cut local governments, restores some reductions dear to Democrats, and does not require any tax increases (including the VLF). Instead, the proposal would borrow \$10.7 billion for six years to rollover the deficit while making deep cuts to K-12 education, higher education and State operations. In addition, the proposal includes structural reforms such as a “balanced budget amendment”, a limit on future deficit financing, a spending cap, mandate reform, Sinclair Paint fee reform, and “local government protection.” Finally, the budget numbers assume large reductions in State workers’ compensation costs that are dependent on major workers’ compensation reform.

Senate Select Committee on Restructuring

The Committee, chaired by Senator Cedillo, will hold its first meeting this afternoon when it will hear from Elizabeth Hill, the Legislative Analyst, and Mark Baldassarre from the Public Policy Institute, on the origins of the State’s budget problem.

Status of County-Interest Legislation

County-support if amended AB 496 (Correa), which creates the Santa Ana River Conservancy, was amended on June 30, 2003 to add clarity, but without changing the substance of the bill. Again, the County’s desired amendment, to add two members to the conservancy’s board, one from the Los Angeles County Board of Supervisors, and

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one representing the San Gabriel Valley Council of Governments, was not accepted. Our advocates in Sacramento have been told that there is simply too little area in Los Angeles County within the Santa Ana River watershed to justify adding seats to the proposed conservancy's board. **Therefore, our Sacramento advocates will not support AB 496.** After the bill was amended, it was re-referred to the Senate Committee on Natural Resources and Wildlife, where it is scheduled for hearing on July 8, 2003.

County-opposed SB 593 (Ackerman), which shifts responsibility for the assessment of personal property owned by commercial air operators, from the County Assessor to the State Board of Equalization (BOE) beginning in FY 2005-06, changes the method in which commercial aircraft would be valued that is counter to the codified settlement agreement between airline companies and counties, and uses funding from the existing State-County Property Tax Administration Grant Program for the BOE to administer provisions of the bill, passed the Senate Revenue and Taxation Committee on June 25, 2003 on a vote of 4 to 0. This measure now proceeds to the Senate Appropriations Committee.

We will continue to keep you advised.

DEJ:GK
MAL:EW:DS:ib

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
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